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Vietnam

Cotton and Products

Annual Cotton Products

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Report Highlights: Vietnam's domestic cotton production will fall well short of the ambitious Government target of supplying 30,000 tons of cotton in marketing year 2005. Still it will be significantly better than production in MY2004, which decreased 17.5% compared with the previous year's crop. Current domestic cotton supply is well below 10% of the country's cotton consumption. Vietnam still relies heavily on cotton imports with its imports in MY 2004/2005 setting a new record of nearly 150,000 metric tons of cotton. The United States has been one of the leading cotton suppliers to Vietnam over the last four years. This report includes production, supply, and distribution-tables.

Includes PSD Changes: Yes
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PRODUCTION

Vietnam's 2004 cotton production.

According to the Ministry of Agricultural and Rural Development (MARD) and the Vietnam Cotton Company (VCC), Vietnam's 2004/2005 cotton area was 26.5 thousand hectares, a drop of 7% compared with the previous year due to severe drought in key cotton growing areas. The crop's average cotton yield was also low at about 1.12 MT of seed cotton/ha, a year-on-year reduction of 11% as a result of prolonged drought. 2004/2005 seed cotton production only reached 29.68 thousand metric tons (TMT), which was smaller than the previous year crop by 17.5%. With current ginning rate (ginning out-turn) of about 35%, Vietnam 2004/2005 cotton fiber production was equivalent to 10.4 TMT (see table 1).

Post estimates Vietnam's 2005 cotton growing area will rebound to reach 32,000 hectares. Along with improved yields this should result in a production of about 40.32 TMT of seed cotton, equivalent to 14.11 TMT of fiber cotton, an increase of nearly 38.5% in comparison with 2004's. The improvement in planted area and crop yields are due to favorable weather; more use of high-yield cotton varieties and improvement of cotton farming practices and irrigation. This remarkable increase still does not reach the ambitious goal of the Vietnam's National Textile Development Program to increase cotton planted area to 60,000 hectares for cotton fiber production of 30 TMT by 2005 (see table 1 & 2).

Table 1: Vietnam's cotton production

	2003	2004	2005 est.
Crop area (THA)	28.0	26.5	32.0
Crop yield (MT/HA)	1.26	1.12	1.26
Cotton seed production (TMT)	35.28	29.68	40.32
Cotton fiber production (TMT)	12.35	10.40	14.11

Source: GSO, and Post estimate

Table 2: Vietnam's cotton production goals in 2005 and 2010

	2005	2010
Crop area (THA)	60	100
Crop yield (MT/HA)	1.25	1.35
Cotton seed production (TMT)	75	135
Cotton fiber production (TMT)	30	80

Source: Ministry of Planning and Investment

PRICES

Domestic prices

VCC has set guaranteed prices to purchase all seed cotton output from farmers. In 1999, 2000 and 2001, the prices (per kg of cotton seeds) were set at VND 5,000; VND 5,200 and VND 5,500, respectively. During 2002-2004, the guaranteed purchase prices set by VCC have been kept at VND 5,500 per kg.

In 2004, cotton farmers suffered prolonged drought and higher chemical input costs and lost their interest in planting cotton because many could not make any profits at the guaranteed purchase price of VND5,500/kg for seed cotton. Consequently in June 2005, VCC decided to raise the guaranteed purchase price for seed cotton to VND 6,000/kg. At this price level, farmers may feel more confident to continue growing cotton in the coming years.

Given the current exchange rate of 15,870 per 1 US\$, the guaranteed purchase price is now US\$ 0.38/kg of seed cotton. Given the ginning rate of 35%, this guaranteed price level is equivalent to US\$1.09/kg of cotton fiber. Adding other cost relating to cotton ginning and cotton fiber trading (transportation and handling cost; ginning cost and profit margin for VCC etc.), we can see that Vietnamese domestic cotton prices are not competitive with international cotton prices.

Import prices

Current offer prices (CIF Saigon Port) of West African cotton fiber (Bola/s) and US cotton fiber (1 and 1/8 inch, SM) are about \$1.22-1.25/kg and \$1.35-1.37/kg, respectively. Average cotton import prices during Jan-June 2005 were at US\$ 1.1/kg, a drop of 21% compared with average prices for the same period of last year (see table 3).

Table 3: Vietnam's average cotton import prices

	Jan-June 2003	Jan-June 2004	Jan-June 2005
Cotton fiber (US\$/kg)	1.2	1.4	1.1

Source: trade sources

TRADE

Vietnam's 2004 cotton imports and estimated 2005 cotton imports

Vietnam's CY-2004 cotton imports increased significantly both in volume and in value due to higher demand of the textile and garment industry. According to Vietnam's Customs Statistics, Vietnam imported about 135,900 mt of fiber cotton in CY-2004, a year-on-year increase of about 53.8% compared with CY 2003 (see table 4). Cotton import value in CY-2004 also reached a record of about US\$191 million, an increase of 85.5% compared with CY 2003 (See table 5).

In the first seven month of 2005, Vietnam cotton imports are estimated at 92.75 TMT, an increase of 17.4% in comparison with the imports during the same period of last year (see table 4 & 5).

The two key cotton exporters to Vietnam remain West Africa (about 55%) and USA (about 30%).

Table 4: Vietnam cotton import volume CY 2001-2005 (Unit: TMT)

	2001	2002	2003	2004	2005 (Jan-Jul.)	2005 est.
Vietnam Total Cotton Imports	88.825	94.000	88.400	135.900	92.748	155.000

Source: Statistics from Vietnam Customs Department

Table 5: Vietnam cotton import value CY 2003-2005 (Unit: million US\$)

	2003	2004	2005 (Jan. - Jul.)
Vietnam Total Cotton Imports	106	191	103

Source: Statistics from Vietnam Customs Department

Post estimates Vietnam 2005 cotton imports at 155 TMT, a year-on-year increase of 14%.

Table 6 below presents Vietnam's marketing year (MY) 2003/2004 and 2004/2005 monthly cotton imports. Based on this table, Post revises Vietnam's MY 2003/2004 cotton imports to 113.108 TMT and estimates the 2004/2005 imports at 149.666 tmt. Vietnam's cotton imports in MY 2003/2004 and MY 2004/2005 were up 24% and 32 % over the previous year's imports, respectively (see table 6 and PS&D table).

Post forecasts MY 2005/2006 cotton imports at 160 TMT, given the expanding cotton spinning and textile industry (see PS&D table).

Table 6: Vietnam's 2003/2004 and 2004/2005 cotton imports by months

Month	2003/2004 August 2003	2004/2005 August 2004
Aug.	7,766	16,840
Sep.	6,231	9,890
Oct.	7,129	9,838
Nov.	7,000	10,100
Dec.	6,000	10,250
Jan.	5,227	10,150
Feb.	7,172	14,000
March.	7,174	15,050
April	15,069	12,048
May.	15,500	14,980
Jun.	12,000	14,020
July	16,840	12,500
Total	113,108	149,666

Source: Statistics from Vietnam Customs Department

US CY 2004 cotton exports to Vietnam increased significantly in volume and value

According to U.S. trade data, in CY-2004, U.S. cotton exports to Vietnam increased significantly to reach a record of 43.62 TMT, a year-on-year increase of nearly 30%. In term of US\$ value, US cotton exports reached \$ 66.22 million, an increase of 93% compared with last year's exports.

U.S. cotton exports to Vietnam in the first five months of 2005 only reached 20.65 TMT with a value of \$26.51 million. Compared with its exports in the same period of last year, U.S. exports dropped by 1.25% by volume and 23% by value.

Table 7: U.S. cotton exports to Vietnam

	2001	2002	2003	2004	2005 (Jan.-May.)
Quantity (mt)	26,181	30,068	30,357	43,618	20,654
Value (\$1,000)	28,788	27,154	34,304	66,218	26,506

Source: BICO, US Department of Commerce, U.S. Census Bureau, And Foreign Trade Statistics

Post estimates U.S. cotton exports to Vietnam will reach 45 TMT in the CY-2005 due to high demand in Vietnam.

CONSUMPTION

Vietnam's domestic cotton consumption continues to increase to meet strong demand from the expanding textile industry. Post revised the 2003/2004 domestic cotton consumption at 130 TMT from previous estimate of 110 TMT.

Post estimates domestic cotton consumption in 2004/2005 and 2005/2006 at 150 TMT and 160 TMT, respectively (see PS&D table).

Table 8: Vietnam cotton PS&D table**PSD table**

Country Vietnam

Commodity Cotton

	2002/2003		2003/2004		2004/2005		2005/2006	
	USDA Official [Old]	Post Revised [New]	USDA Official [Old]	Post Revised [New]	USDA Official [Old]	Post Revised [New]	USDA Official	Post Forecast
Market Year Begin	Aug-02		Aug-03		Aug-04		Aug-05	
Area Planted (hectares)	34,000	34,100	30,000	28,000	35,000	26,500	35,000	32,000
Area Harvested (hectares)	34,000	34,100	30,000	28,000	35,000	26,500	35,000	32,000
Beginning Stocks (MT)	24,168	22,252	24,603	14,858	26,563	10,316	38,973	23,485
Production (MT)	11,322	11,399	10,669	12,350	12,410	10,400	13,064	14,110
Imports (MT)	93,622	91,207	105,597	113,108	141,522	149,666	146,965	150,000
TOTAL SUPPLY (MT)	129,112	124,858	140,869	140,316	180,495	170,382	199,002	187,595
Exports (MT)	0	0	0	0	0	0	0	0
USE Dom. Consumption (MT)	104,509	110,000	114,306	130,000	141,522	150,000	163,295	165,000
Loss Dom. Consumption (MT)	0	0	0	0	0	0	0	0
TOTAL Dom. Consumption (MT)	104,509	110,000	114,306	130,000	141,522	150,000	163,295	165,000
Ending Stocks (MT)	24,603	14,858	26,563	10,316	38,973	20,382	35,707	22,595
TOTAL DISTRIBUTION (MT)	129,112	124,858	140,869	140,316	180,495	170,382	199,002	187,595

Source: FAS, Official USDA Estimates, post estimates.

POLICY

No more Tariff Rate Quota (TRQ) on cotton imports

According to Decision 46/2005/QD-TTg dated March 3, 2005 adjusting the list of import goods subject to duty quotas (tariff rate quota-TRQs), effective from April 1, 2005, the cotton products under HS code 5201, 5202, 5203 have been removed from the list of seven key import goods subject to tariff rate quotas (TRQs).

Pursuant to this Decision, the Ministry of Finance has issued Decision No.16/QD-BTC dated March 28, 2005 to remove cotton products under HS code 5201; 5202; 5203 from the list of imported goods subject to TRQs and their tariff rates. Import tax of these cotton products shall be implemented in accordance with current normal tariff schedule. Cotton fiber (HS code 5201 and 5203) will have a tariff of 0% and cotton waste (HS code 5202) a tariff of 10%. Cotton yarn (HS code 5205, 5206, 5207) is subject to a tariff rate of 20% and cotton fabric (HS code 5208, 5209, 5210, 5211, 5212) a tariff of 40%.

More high yield cotton seed varieties used in Vietnam

The Vietnam Cotton Research and Development Institute has developing suitable and high yielding cotton varieties. These are local cotton varieties such as MCU9, M456-10, TM.1, LRA, 5166, C118, D16-2 and hybrid cotton varieties like L18, VN15, VN20, VN35, VN01-2, VN02-2, GL03. At present, 85%-90% of cotton area is planted to hybrid cotton varieties with high yield.

Vinatex to petition Government of Vietnam (GOV) to support cotton farmers in cotton prices

The Viet Nam Textile and Garment Corporation (Vinatex) has recently petitioned the government of Vietnam to set the seed cotton support price at VND 500/kg (equivalent to US\$0.032/kg) to encourage cotton growers to maintain or to expand their cotton production area.